

Statement of Rep. Brad Miller on the Introduction of Legislation to Create a Financial Product Safety Commission

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When I was first elected to Congress six years ago, I got advice from senior members to find an obscure, technical issue, an orphan issue without an established champion, and learn the issue. I would probably never be heard from again, but my work would be a service to Congress as an institution and to the nation.

The issue I found was mortgage lending.

I have heard industry's arguments against regulating lending practices. While some lending practices might appear predatory to the uninformed, they argued, the practices were necessary to make credit available to consumers. The practices were never about profit. "We know you mean well," they said, "but regulation would just hurt the very people you're trying to help."

I'm not sure which was more infuriating, the dishonesty or the condescension.

We now know the results. The financial industry made rapacious profits, even after the eye-popping salaries and bonuses, the \$50 million corporate jets, the million dollar redecorations of CEOs' offices, the golf tournaments, the corporate retreats, and all the rest. Millions of middle-class families are hopelessly trapped in debt from penalties and fees that were explained, if at all, in legalese in a stack of closing documents, or in tiny print on the back of their credit card bills. And the world's economy is in the worst recession since the Great Depression.

The industry warns that regulation may stifle financial innovation. If financial innovation cheats the middle class out of their paycheck or their life's savings, this legislation will stifle that kind of innovation. If innovation really makes credit available on reasonable terms to consumers who need to borrow money and otherwise could not, if innovation allows the "democratization" of credit, then we're all for it.

The late Federal Reserve Governor, Ned Gramlich, in a speech about mortgage lending shortly before his death a couple of years ago, asked "Why are the most risky products sold to the least sophisticated borrowers? The question answers itself," Gramlich said, "the least sophisticated borrowers are probably duped into taking these products."

This legislation would allow lenders to make an honest living and make credit available to consumers who need to borrow money, but it would not allow lenders to make a killing by duping consumers.

For more information about Rep. Miller's work on Predatory Lending and Bankruptcy Reform, go to: www.bradmiller.house.gov

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